Solarvest Holdings (SOLAR MK)

Building Recurring Income; Paving The Way For CRESS Wins

	BUY (Maintained)
Share Price	RM3.05
Target Price	RM3.50
Upside	14.8%

Analyst(s)
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Highlights

- A recent visit to Solarvest's solar farms – commissioned under the LSS4 and CGPP schemes – reinforces our confidence that the company can deliver meaningful earnings contribution from the renewable energy generation division. Management articulated ambitions to grow its recurring income base to 30% of group revenue (from current 5%) in the medium term.
- The group's strategic partnership with Brookfield will pave the way for the group to develop and operate at least 1.5GW of utility-scale solar and BESS projects within the next 3-5 years. As such, we expect the announcement of the group's first CRESS contract win to materialise in the near term.
- Maintain BUY with a target price of RM3.50, pegged to 25x FY28 EPS (+1SD to mean PE).

Analysis

- **A site visit to Solarvest's LSS4 and CGPP assets.** We recently visited Solarvest Holdings' (Solarvest), commissioned under the Large-scale Solar 4 (LSS4) as well as the Corporate Green Power Programme (CGPP) schemes.
- **The visit showcased Solarvest's fast expanding solar asset portfolio** of 580MW (commissioned: 180MW), with a long-term ambition to derive 30% of annual revenue from its renewable energy (RE) generation division. As of FY26, the RE generation division accounted for 5% of group revenue – but a step up is expected in FY27 with the recent commissioning of its CGPP project. On an EBITDA basis, the generation division accounts for 23% of FY26's group EBITDA.
- **Delivering robust energy generation yields…** We gathered from the visit that since the commissioning of its LSS4 solar farms in FY24, the energy exported to the grid has exceeded expectations by 2-5%. This demonstrates Solarvest's competence as a growing solar asset owner. We note that the recently commissioned GCPP solar farm (Apr 26) has also recorded high energy generation levels. We believe that the better-than-expected plant performances are due to: a) an optimal project design, including multi-facial solar module positioning (5-7° tilt); b) effective interconnection infrastructure to minimise transmission loss; and c) a stringent operations and maintenance (O&M) regime.

Key Financials

Year to 31 Mar (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	536.8	757.1	1,312.5	1,581.5	1,855.1
EBITDA	97.0	141.3	191.2	221.5	258.6
Operating profit	83.7	126.0	173.1	200.7	235.4
Net profit (rep./act.)	51.9	79.8	112.7	133.8	159.5
Net profit (adj.)	51.9	79.8	112.7	133.8	159.5
EPS	7.0	9.4	11.8	14.0	16.7
PE	42.6	31.9	25.4	21.4	17.9
P/B	5.3	3.5	3.1	2.7	2.3
EV/EBITDA	24.9	19.9	14.6	12.0	9.7
Dividend yield	-	-	-	-	-
Net margin	9.7	10.5	8.6	8.5	8.6
Net debt/(cash) to equity	48.9	(6.5)	(7.1)	(18.7)	(29.4)
Interest cover	5.7	4.6	4.9	5.4	6.0
ROE	12.5	9.7	12.0	12.5	13.0
Consensus net profit	-	-	103.4	136.7	-
UOBKH/Consensus (x)	-	-	1.09	0.98	-

Source: Solarvest, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Industrials
Bloomberg ticker	SOLAR MK
Shares issued (m)	952.3
Market cap (RMm)	2,864.3
Market cap (US$m)	700.6
3-mth avg daily t'over (US$m)	2.9

Price Performance (%)

52-week high/low				RM3.39/RM1.82
1mth	3mth	6mth	1yr	YTD
4.9	30.0	(6.9)	51.0	(9.4)

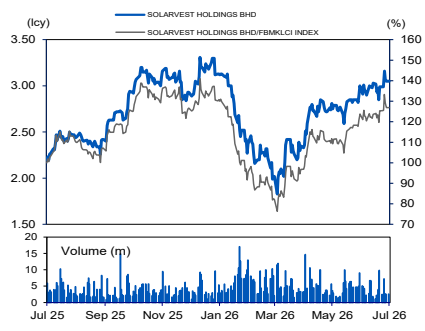
Major Shareholders

	%
Atlantic Blue Holdings	17.1
Lim Chin Siu	6.2
Urusharta Jamaah	6.2

Balance Sheet Metrics

FY27F NAV/Share (RM)	0.98
FY27F Net Debt/Share (RM)	0.07

Price Chart



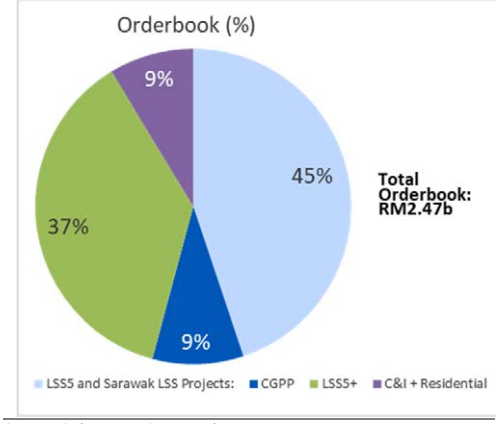
Source: Bloomberg

Company Description

Solarvest Holdings, through its subsidiaries, provides engineering, procurement, construction, commissioning, management, and operation and maintenance services for solar projects.

- **…with ongoing efforts to improve generation efficiency.** Solarvest's O&M team is actively developing strategies to enhance energy generation efficiency and minimise O&M costs for its CGPP assets. These include: a) the installation of reflective weed control carpets to suppress vegetation growth and capture the reflected light via the solar module's bifacial feature, and b) water ponding beneath the solar modules to function as both a cooling mechanism and reflective surface. Collectively, these initiatives are expected to improve energy generation yields by up to 5%, while lowering O&M costs and supporting stronger long-term margins.
- **GCPP: Setia Kawan Energy, Manjung Perak.** Solarvest's 70%-owned Setia Kawan Energy (SKE) project is a 30MW solar farm commissioned under the CGPP scheme. The plant came on stream in Apr 26 with four offtakers (Micron Semiconductor, Texas Instruments, Bursa Malaysia, and NTT Global Data Centers CBJ1) singing 21-year power purchase agreements (PPA). SKE is well-positioned to capitalise on an attractive PPA tariff and we expect this project to contribute positively to FY27's earnings. While contribution to group revenue is estimated at 2%, EBITDA contribution can be meaningful at 8% of group EBITDA.
- **LSS4: Sinarmas, Suriamas and Serimas Energy.** The group owns three revenue-generating LSS4 solar farms, namely: a) Sinarmas Energy - 13MW; b) Suriamas Energy - 25MW; and c) Serimas Energy - 12MW. While Sinarmas is located on a 43-acre land in Kuala Selangor, both Suriamas and Serimas are located on a single plot of land in Manjung, Perak. Note that Solarvest leases all of the land utilised for its solar assets, primarily on palm oil plantation land with its main partner being SD Guthrie. These solar assets command a lower DC/AC ratio, averaging 1.4x as their energy exports are limited by the maximum annual allowable quantity (MAAQ) under a 25-year PPA with Tenaga Nasional (Tenaga). This means that Tenaga will pay only the agreed PPA tariff of about 23sen/kWh for the up to the agreed MAAQ.

Current Orderbook



Source: Solarvest, UOB Kay Hian

Three-year PE Band

Source: Bloomberg, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a target price of RM3.50, pegged to 25x FY28 EPS (+1SD from mean PE).** We believe Solarvest's partnership with Brookfield is a strong lever that will pivot Solarvest into the next phase of growth. The partnership will pave the way for the group to lift orderbook meaningfully via the sizeable Corporate Renewable Energy Supply Scheme (CRESS) to the tune of 1.5GW over a 3-5-year period.
- **Key re-rating catalysts** for the stock include: a) a stronger ringgit to offset rising solar PV costs, b) cost discipline to drive sustainable profit margins, c) pioneer CRESS contract wins, and d) eventual monetisation of solar assets either via listing or trade sale.

Environmental, Social, Governance (ESG) Updates

Environmental

- Solarvest installed solar PV systems with a cumulative capacity of 986MWp for its customers in FY25, resulting in an impressive estimated reduction of 954,788 tonnes of carbon dioxide emissions.

Social

- In FY25, the group allocated RM45,293 to community programmes that benefitted 29,875 individuals, across education, donations, and sponsorships.

Governance

- The board comprises ten members consisting of six Independent Directors and four Non-Independent Directors. Meanwhile, women comprise 30% (three directors) of the board.

Solar Assets

Projects	Effective Ownership	Location	Project Capacity (MWac)	Project Capacity (MWp)	Effective Ownership Capacity (MWp)	Commercial Operation Date	PPA Period	Full Year Recognition
Powervest	100%	-		133.00	133.00	-	15-25 years	-
Sarawak Solar Farm	60% Solarvest/40% Press Metal	Mukah, Sarawak	100.00	170.00	102.00	30-Nov-27	30 years	FY29
Brunei Solar Farm	34% Solarvest/30% Khazanah Satu/36% Serikandi Oilfield	Kota Batu, Brunei	30.00	45.00	15.30	End 26	25 years	FY28
LSS4 Projects:								
Suriamas Energy	100%	Manjung, Perak	25.00	29.60	29.60	Aug-23	21 years	FY25
Serimas Energy	100%	Manjung, Perak	12.00	17.20	17.20	Dec-23	21 years	FY25
Sinarmas Energy	100%	Kuala Selangor, Selangor	13.00	20.50	20.50	Nov-23	21 years	FY25
LSS5 Project:								
Nextree Synergy	60% Solarvest/30% Chailease/ 5% GreenRock/5% Servex (Acer)	Kuala Langat, Selangor	60.00	90.00	54.00	Oct-27	21 years	FY29
LSS5+ Project:								
	20% Solarvest/80% Malakoff	Kuala Langat, Selangor	470.00	690.00	138.00	Oct-27	21 years	FY29
CGPP Projects:								
Setia Kawan Energy Sdn Bhd	70% Solarvest/ 40% TNB Renewables	Manjung, Perak	29.99	51.70	36.20	Apr-26	21 years	FY27
Selarong Pertama Energy Sdn Bhd	30% Solarvest/40% Savelite Engineering/30% TNB Renewables	Kulim, Kedah	29.99	57.30	17.20	Apr-26	21 years	FY27
SM 01	33% Solarvest/49% Shizen Malaysia/18% HSS Engineering	Gurun, Kedah	29.99	52.40	17.30	Apr-26	21 years	FY27
Total Effective Solar Asset Portfolio =					580.30			

Source: UOB Kay Hian

Profit & Loss

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Net turnover	757.1	1,312.5	1,581.5	1,855.1
EBITDA	141.3	191.2	221.5	258.6
Deprec. & amort.	(15.3)	(18.1)	(20.9)	(23.3)
EBIT	126.0	173.1	200.7	235.4
Associate contributions	9.3	14.0	16.7	19.3
Net interest income/(expense)	(8.7)	(7.1)	(3.6)	(0.4)
Pre-tax profit	117.3	166.0	197.1	235.0
Tax	(35.2)	(49.8)	(59.2)	(70.5)
Minorities	(2.3)	(3.5)	(4.1)	(4.9)
Net profit	79.8	112.7	133.8	159.5
Net profit (adj.)	79.8	112.7	133.8	159.5

Balance Sheet

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Fixed assets	324.3	384.9	443.1	494.0
Other LT assets	225.1	225.1	225.1	225.1
Cash/ST investment	194.9	192.8	314.4	461.9
Other current assets	850.7	991.2	959.3	943.5
Total assets	1,595.1	1,794.0	1,942.0	2,124.5
ST debt	66.3	63.0	59.9	56.9
Other current liabilities	315.1	412.1	435.1	466.4
LT debt	345.5	334.6	324.9	314.6
Other LT liabilities	36.0	36.0	36.0	36.0
Shareholders' equity	823.4	936.1	1,069.8	1,229.3
Minority interest	8.8	12.3	16.4	21.3
Total liabilities & equity	1,595.1	1,794.0	1,942.0	2,124.5

Cash Flow

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Operating	90.6	90.9	213.6	234.9
Pre-tax profit	117.3	166.0	197.1	235.0
Tax	(30.7)	(49.8)	(59.2)	(70.5)
Deprec. & amort.	15.3	18.1	20.9	23.3
Associates	-	-	-	-
Working capital changes	(97.8)	(43.4)	54.8	47.1
Other operating cashflows	86.5	-	-	-
Investing	(200.4)	(78.8)	(79.1)	(74.2)
Capex (growth)	(79.5)	(78.8)	(79.1)	(74.2)
Proceeds from sale of assets	0.2	-	-	-
Others	(32.5)	-	-	-
Financing	447.3	(65.6)	(12.9)	(13.2)
Dividend payments	1.2	-	-	-
Issue of shares	377.1	-	-	-
Proceeds from borrowings	83.2	(14.2)	(12.9)	(13.2)
Others/interest paid	(14.2)	(51.3)	-	-
Net cash inflow (outflow)	337.4	(53.5)	121.6	147.4
Beginning cash & cash equivalent	87.2	424.9	371.4	493.1
Changes due to forex impact	0.2	-	-	-
Ending cash & cash equivalent	424.9	371.4	493.1	640.5

Key Metrics

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	18.7	14.6	14.0	13.9
Pre-tax margin	15.5	12.6	12.5	12.7
Net margin	10.5	8.6	8.5	8.6
ROA	5.0	6.3	6.9	7.5
ROE	9.7	12.0	12.5	13.0
Growth				
Turnover	41.0	73.4	20.5	17.3
EBITDA	45.7	35.3	15.8	16.8
Pre-tax profit	58.1	41.5	18.7	19.2
Net profit	53.7	41.2	18.7	19.2
Net profit (adj.)	53.7	41.2	18.7	19.2
EPS	53.7	41.2	18.7	19.2
Leverage				
Debt to total capital	0.4	0.3	0.3	0.2
Debt to equity	0.5	0.4	0.4	0.3
Net debt/(cash) to equity	(0.1)	(0.1)	(0.2)	(0.3)
Interest cover (x)	4.6	4.9	5.4	6.0

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